

The Commodities Feed: Sentiment in oil weakens

The oil market has been trading little changed this morning as market participants assess diplomatic efforts in the Middle East. A bearish inventory report from the API put pressure on oil prices this morning



Energy – Oil trades flat on rising inventory

Sentiment in the oil market remains soft, with prices for both ICE Brent and NYMEX WTI trading flat in the early trading session today. The recent numbers from API suggest a gain in US stockpiles. The ongoing Gaza ceasefire talks also weighed on crude oil prices.

Numbers released by the American Petroleum Institute (API) overnight were bearish for the oil market. The API reported that US crude oil inventories have increased by 3.03m barrels over the last week, higher than market expectations for a build of 0.69m barrels. If confirmed by the Energy Information Administration (EIA), this would be the third weekly expansion in a row. The API also reported that Cushing crude oil stocks increased by 0.12m barrels. On the products side, gasoline inventories fell by 0.61m barrels, while distillate stocks increased by 0.12m barrels over the week. The more widely followed EIA report will be released later today.

Yesterday, the EIA released its latest Short-Term Energy Outlook, in which it continues to foresee a small global oil supply deficit of 0.26m barrels/d in 2024. The EIA raised its global demand

estimates by 0.48m barrels/d to 102.9m barrels/d for the year (largely in line with the International Energy Agency's forecast of 103.2m barrels/d) amid an improving outlook for the second half of the year. As for the US, the country could continue to produce record volumes, with total oil production reaching 13.21m barrels/d in 2024 compared to 13.91m barrels/d forecast earlier and 12.93m barrels/d in 2023. For 2025, US oil production could further grow to 13.72m barrels/d, compared to its previous forecast of 13.65m barrels/d.

As for the calendar this week, the market awaits the release of US inflation data scheduled later today. Meanwhile, OPEC and the IEA will also release their monthly reports later this week, giving a broader snapshot of the demand outlook for the oil market.

Metals – Global steel demand to recover

The latest forecasts from the World Steel Association (WSA) show that global steel demand could rise by 1.7% year-on-year to 1,793mt in 2024 and could see a further increase of 1.2% YoY to 1,815mt in 2025, after two years of declines and severe post-pandemic market volatility. The association expects India to lead the demand growth as Chinese steel demand continues to disappoint. The demand growth projections for India now stand at 8% YoY over 2024 and 2025, primarily driven by continued expansion in the infrastructure sector. In contrast, Chinese steel demand is expected to remain flat this year and to decline by 1% YoY in 2025 following persistent weakness in the real estate sector. The WSA further added that the steel demand in developed economies could grow by 1.3% YoY in 2024 and 2.7% YoY in 2025 amid the recovery in demand in the EU, US, Japan and Korea. As for developing economies (ex-China), steel demand is expected to rise by 3.5% YoY this year and next year.

In copper, recent LME data shows that on-warrant inventories for copper increased by 10,875 tonnes – the biggest intra-day addition since 7 September 2023 – to 111,825 tonnes yesterday, the highest since 14 February 2024. The majority of the inflows were reported from warehouses in South Korea and Singapore. Meanwhile, total inventories for copper rose by 9,950 tonnes (the biggest daily addition since 18 October 2023) to 124,225 tonnes, while cancelled warrants declined slightly by 925 tonnes for a second consecutive session to 12,400 tonnes as of yesterday.

Lastly, the latest COTR report released yesterday shows that investors boosted net bullish positions for aluminium by 7,682 lots for a fifth consecutive week to 132,169 lots for the week ending 5 April, the highest bullish bets since the end of December in 2020. Similarly, net bullish bets for zinc rose by 5,202 lots after two consecutive weeks of declines to 25,213 lots at the end of last week. In contrast, money managers decreased net bullish bets for copper by 1,655 lots for the first time in seven weeks to 86,771 lots as of last Friday.

Agriculture – Vietnam coffee shipments rise

The General Department of Vietnam Customs released trade volume estimates for March, which showed that coffee exports softened to 189kt for the month, down 10.2% compared to 210.4kt reported a year ago. However, the coffee export estimates for March are up 17.7% compared to the 160kt shipped in February. Over the first quarter of 2024, coffee exports increased 5.9% YoY to 585.7kt. Vietnam coffee exports continue to benefit from the rise in Robusta coffee prices, primarily due to the supply shortages.

Brazil's total coffee exports rose 38% year-on-year to 4.3m bags (60 kg) in March, according to data released by Cecafo Group. The group said that the Arabica coffee exports rose 15.1% YoY to

3.1m bags, while Robusta coffee exports surged significantly to 846.7k bags from 107.3k bags a year earlier. The overall rise in coffee exports could be largely attributed to the rise in demand for robusta coffee beans across the globe, despite prices moving higher amid expectations for a supply deficit this year.

Authors

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.